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FM AMEMBASSY BAGHDAD
TO RUEHC/SECSTATE WASHDC 9679
INFO RUCNRAQ/IRAQ COLLECTIVE
RUEHGV/USMISSION GENEVA 0263

UNCLAS BAGHDAD 003134

SIPDIS
SENSITIVE

E.O. 12958: N/A
TAGS: [ETRD](#) [EFIN](#) [EINV](#) [IZ](#)
SUBJECT: IRAQ WTO ACCESSION: BETTER NEWS ON CUSTOMS LEGISLATION

REF: A. Baghdad 2898
[1](#)B. Baghdad 2830
[1](#)C. Baghdad 2014

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[1](#)1. (SBU) SUMMARY: According to Iraqi officials, political differences over the stalled draft Law on Customs and Tariffs appear to have been resolved, and it could be enacted as early as January. Passing a WTO-compatible customs law would mark a significant step forward on Iraq's WTO Legislative Action Plan. However, the accompanying tariff schedule promises to be daunting. END SUMMARY.

A Stalled Bill Slowly Moves Forward

[1](#)2. (U) Contacts at the Ministries of Finance and Trade informed us over the past several days that the draft Law on Customs and Tariffs -- a key item on Iraq's "Legislative Action Plan (LAP) for Implementation of WTO Agreements" -- may move forward sooner than expected. The bill had emerged as the subject of philosophical differences within the Cabinet, which culminated in August when Finance Minister Bayan Jabr announced publicly that he intended to significantly revise the WTO-compatible draft put forward by the MOT. Some cabinet ministers were concerned that WTO requirements would jeopardize Iraqi producers by allowing "cheap imports" into the country against which they could not compete, our contacts reported. MOF officials were also concerned about a potential loss of customs revenue. (See Refs A and B.) This contrasts with the MOT, where most officials recognize the free trade benefits that lower tariffs are likely to yield.

[1](#)3. (SBU) These disagreements appear now to be headed toward resolution. In a Sept. 10 meeting with Econ and Treasury Counselors, MOF Director General for Customs Ahmed Jassim al-Itiya indicated that the MOF, MOT and Ministry of Industry have agreed on a new MOF-drafted bill that "took into account the requirements of the WTO." The MOF presented the draft to the Shura Council in early September, Jassim said. Once the Shura ensures its constitutionality, it should move through the Council of Ministers (COM) and on to the Council of Representatives (COR) fairly quickly, he predicted. "We hope for passage by the end of the year."

[1](#)4. (SBU) Jassim acknowledged that the bill had indeed been the subject of some controversy. Referring to Jabr's public call for major revisions, Jassim said that he had received a directive asking his office to review the Saddam era customs law (Law 23 of 1984) to see if it could be re-enacted to "replace the Bremer Law" (i.e., the CPA Directive) currently in effect. After studying Law 23, the Customs Directorate determined that it would be "unfair" to Iraqi merchants and would apply restrictions on too many products. "It just wouldn't work," Jassim determined, and the new draft was subsequently produced. He added that the GOI is fully committed to WTO membership, and that the new draft incorporates many of the suggestions that USAID-funded contractors have offered, as well as aspects of the legislation that regional governments that have attained WTO membership -- such as Jordan and Saudi Arabia -- have enacted.

Tariff Concerns

¶5. (SBU) While this step forward on the customs law is encouraging, Jassim suggested that the tariff schedule that accompanies it will likely be extremely complex. When we repeated the USG view that a "low and flat" tariff structure both encourages trade and is the easiest to enforce (see Ref A), Jassim smiled and admitted that his directorate is currently considering a schedule that runs to more than 700 pages. This tome is based on a previous schedule that dates back to 1955 and was revised when Law 23 was enacted in 1984, he explained. However, the "revision of 2008" will reflect "the reality of today" and demonstrate that "we have a goal of being a WTO member as soon as possible."

¶6. (SBU) COMMENT AND NEXT STEPS: Fears still linger within the MOF that low tariff rates could result in import substitution and lost customs revenue, and we expect that a tariff schedule as complex as the one Jassim describes is intended to provide protection to Iraqi industries. That said, his indication that the long-stalled Customs and Tariff draft may be moving forward soon is welcome news. Jassim emphasized more than once the Customs Directorate's full commitment to moving Iraq toward WTO membership, and he even committed to showing us a draft of the bill (which we will share with our USAID-funded experts) for comment before it goes to the COR. END COMMENT.

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